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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

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**In the Matter of**

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) **CC Docket No. 97-208**  
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**Application of BellSouth Corporation,**  
**BellSouth Telecommunications, Inc., and**  
**BellSouth Long Distance, Inc. for Provision of**  
**In-Region, InterLATA Services in South**  
**Carolina**  
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**AFFIDAVIT OF JIM CARROLL  
ON BEHALF OF AT&T CORP.**

**INTRODUCTION AND SUMMARY**

1. My name is William J. (Jim) Carroll and my business address is 1200  
Peachtree Street, Atlanta, Georgia, 30309.

2. I am AT&T's Vice President - Local Services for the Southern States. My  
responsibilities include developing and implementing local services for AT&T customers in nine  
southern states. I have been involved personally in all aspects of AT&T's efforts to enter the  
local market in South Carolina and other states served by BellSouth. As part of those efforts, I  
served as the leader of the AT&T executive level negotiation team and I personally participated in

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the interconnection agreement negotiations with BellSouth. Moreover, as AT&T moves forward with implementation of the interconnection agreements with BellSouth, I have personally participated in efforts to resolve all significant interconnection issues with BellSouth at the executive level.

3. I started my work career in June, 1962 in Macon, Georgia as a communications technician in the Long Lines Division of AT&T. Since that time I have held positions with AT&T in the following areas: operations; engineering; human resources; labor relations; and marketing. I was present during the evolution of the long distance telecommunications market from a pure monopoly to what today is an extremely competitive and active industry. Since divestiture of the long distance business from the telephone monopolies in 1984, I have held positions as Vice President - New York and Northeast where I was responsible for services and products, and Vice-President - Network Operations and Engineering where I held nationwide responsibility for AT&T's network.

4. The purpose of my affidavit is to discuss how BellSouth's actions consistently have impeded AT&T's plans for entry in South Carolina's local exchange markets. In its application, BellSouth claims to have gone to great lengths to open South Carolina local exchange markets. BellSouth further asserts that foot-dragging by BellSouth's potential competitors is the only explanation as to why BellSouth remains a monopolist in those markets

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today. The picture painted by BellSouth is false and misleading. Although BellSouth has executed interconnection agreements with competitors to create the appearance of cooperation to open its local markets to others, BellSouth consistently has implemented policies to ensure that the entry vehicles upon which AT&T and others must rely are either completely unavailable or economically infeasible. In so doing, BellSouth has failed to meet its obligations under the Telecommunications Act of 1996 ("the Act") and the Commission's rules. Remarkably, the South Carolina Public Service Commission ("SCPSC") generally has approved BellSouth's policies, even when such policies directly and clearly conflict with orders of this Commission. In sum, it is BellSouth's anticompetitive and unlawful policies and a state regulatory environment hostile to local competition which today preserve BellSouth's monopoly position in South Carolina local exchange markets.

5. My affidavit is organized as follows. Section I provides an overview of AT&T's plans and extensive efforts to enter local markets in South Carolina. AT&T would like to offer to provide residential and business customers in South Carolina with high-quality, cost-efficient, and competitive alternatives to BellSouth's local services. AT&T already has spent, and will continue to spend, millions of dollars to develop its local services in South Carolina and the other states in the BellSouth region. AT&T soon will offer limited local services to medium and large business customers in South Carolina through AT&T Digital Link, a facilities-based local service. Beyond AT&T Digital Link, AT&T's plans for broader-based entry into South Carolina

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local markets have called for use of combinations of unbundled network elements ("UNEs") and resale of BellSouth services. However, BellSouth has caused delay of competition in South Carolina by foreclosing entry through either of these vehicles.<sup>1</sup> Only after UNEs (including UNE combinations) and resale are truly available on a reasonable basis, will local competition have an opportunity to develop in South Carolina for residential and business customers.

6. Section II describes various ways in which BellSouth has thwarted AT&T's efforts to enter South Carolina local markets through the use of UNEs. As Raymond Crafton explains in his separate affidavit, UNEs and, in particular UNE combinations, offer greater opportunities for meaningful, broad-based and effective competitive entry than does resale. Nevertheless, BellSouth has consistently taken steps to prevent AT&T and others from using combinations of UNEs. From early in 1996 to the present, BellSouth, as a matter of policy, has maintained that the right to purchase at cost-based rates and provide service using UNEs is limited to competitors who will use their own facilities. BellSouth maintains this position today -- and the SCPSC has endorsed this position -- despite the fact that it was clearly rejected by the

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<sup>1</sup> In my view, the delays (and outright refusals to cooperate) that have occurred in connection with AT&T's entry into South Carolina local exchange markets are not limited to the typical snafus that occur, even in the best of circumstances, when two companies contract to attempt to provide new services or upgrade existing ones. Rather, these delays are the intended consequences of BellSouth's corporate policies. Indeed, in the early stages of negotiations with BellSouth over interconnection and access issues, on June 19, 1996, one of BellSouth's senior executives, Charles B. Coe, then Group President - Customer Operations, told me that BellSouth intended to interpret the Act as "narrowly" as possible.

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Commission over a year ago. As a result, as of today, combinations of UNEs are not available to competitors in South Carolina, foreclosing to AT&T and all other competitors this critical entry vehicle.

7. Although the Eighth Circuit issued a decision on October 14, 1997, holding that incumbent LECs need not provide already-combined UNEs, AT&T believes that this decision is incorrect, and should not be followed. In all events, the Eighth Circuit reaffirmed that incumbent LECs have a duty to provide unbundled network elements in a manner that enables competitors to combine them. The Eighth Circuit also stated that its decision was premised on its understanding that ILECs would "allow entry to their networks" by competitors to do the "work" necessary to combine elements. Iowa Utilities Bd. v. FCC, Nos. 96-3321, et al., Order on Petitions for Rehearing (Oct. 14, 1997). BellSouth, however, has not addressed in any detail how it will deliver UNEs to competitors and allow competitors access to their networks, to enable them to do the combining.

8. Section III discusses the steps BellSouth has taken (again, often with the approval of the SCPSC) to block entry into South Carolina via resale. AT&T began initial marketing of local services in Georgia through resale of BellSouth services in June 1997. This followed almost two years of negotiations between AT&T and BellSouth after state legislators and regulators in Georgia in 1995 had commenced efforts to open Georgia local exchange

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markets to competition, well before passage of the Act. However, BellSouth has delayed AT&T's efforts to introduce competitive local exchange services based upon resale. First, the wholesale discount offered by BellSouth in South Carolina -- 14.8% -- is among the smallest in the country, and effectively forces a competitor to subsidize BellSouth's marketing. Second, BellSouth restricts the use of resale in South Carolina (as well as other states) in connection with services for large business customers. Third, BellSouth's inability to offer nondiscriminatory access to Operations Support Systems ("OSS") also has delayed entry by resale. Finally, and perhaps most fundamentally, AT&T views resale as an interim vehicle to be supplanted by UNE combinations. In South Carolina, combinations of UNEs are currently unavailable and, given BellSouth's strong opposition (and the decision of the Eighth Circuit), it is highly doubtful BellSouth will change its position.

**I. AT&T'S MARKET ENTRY STRATEGY IN SOUTH CAROLINA**

9. South Carolina is an attractive market for potential providers of local telephone services. With over 3.5 million residents, South Carolina ranks 25th among states in population. It has numerous mid-sized cities, including Columbia, Charleston, Spartanburg, and Greenville, which have attracted potential CLECs. Like other states in the South, South Carolina is growing rapidly, and indeed, South Carolina recorded unprecedented economic development in

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1996, drawing \$5.7 billion in capital investments and creating over 25,000 jobs that year.<sup>2</sup> Given South Carolina's rapid growth and attractive mid-sized markets, BellSouth's claims that AT&T and other competitors have no interest in entering into facilities-based competition for local telecommunications markets in South Carolina are simply unfounded.

10. To the contrary, South Carolina could be an attractive market to AT&T if the terms and conditions available for our entry were reasonable; that is, at the very least in compliance with the Act and this Commission's rules, which were designed to open local markets to competition. However, as I describe in greater detail below, BellSouth has adopted policies with respect to UNEs and resale that not only are unreasonable, but clearly contrary to the Act and the Commission's rules. To make matters worse, the SCPSC generally has done little or nothing to require BellSouth to adhere to this Commission's rules and, indeed, simply rubber-stamped BellSouth's proposed order approving BellSouth's SGAT. The current regulatory environment in South Carolina is so hostile to local competition, and the prospects for a change in that environment are so uncertain, that AT&T has been unable to meet its goals for local entry there.

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<sup>2</sup> See Chris Burritt, "Focus on a Disputed Banner," The Atlanta Journal & Constitution, Jan. 24, 1997, at 10A.



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11. AT&T's success in the market depends on its ability to provide local services that are comparable in quality to the long-distance services that AT&T currently provides its customers. Put simply, in order to attract large volumes of customers away from BellSouth, which clearly enjoys a reputation for high quality services, AT&T also must provide first-rate services. At a bare minimum, AT&T's customers must be assured that they will receive local services that are at least equal in quality to services currently provided by BellSouth. Moreover, it is equally important that AT&T establish quality services at the outset of its entry into the local market. For example, failure of an interface that results in delays in obtaining service or even service outages would be devastating to AT&T, because its new local customers would necessarily hold AT&T accountable for such problems, even if BellSouth is the responsible party. Accordingly, before AT&T can consider entering the local market through resale or UNEs, it is essential that interconnection arrangements, and particularly the OSS, all are able to function in a nondiscriminatory manner and can handle competitively significant volumes and complex transactions that reflect the demand of existing BellSouth customers.

12. Almost immediately after the Act was passed, AT&T began taking the first steps toward bringing facilities-based competition to local markets in South Carolina. On February 29, 1996, AT&T requested the SCPSC to amend its certificate of public convenience and necessity to permit AT&T to offer "local exchange services throughout South Carolina."

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Application of AT&T Communications of the Southern States, Inc. at 1, Docket No. 96-073-C  
(filed Feb. 29, 1997) (emphasis added) (Attachment 1).

13. Shortly after the Act was passed, AT&T began negotiating on a region-wide basis with BellSouth to facilitate AT&T's entry into local markets, including entry through resale and the use of UNEs. Thus, on March 11, 1996, AT&T conducted an initial negotiating session with BellSouth, during which AT&T stated its intention to purchase UNEs from BellSouth and reviewed the specific UNEs that AT&T sought. See Letter of W. J. Carroll, AT&T to C.B. Coe, BellSouth, at 2 (June 6, 1996) (Attachment 2).

14. Just a few weeks later, on March 28, 1996, AT&T followed up on the initial meeting by presenting BellSouth with a requirements document that "provide[d] an overview, including definitions, of the unbundled network elements AT&T wishes to purchase either individually or in combinations." See AT&T Communications, Inc., Local Network Elements, Local Platform, Version 1, March 27, 1996 (excerpted at Attachment 3). Also on March 28, 1996, AT&T stated to BellSouth that it intended to use UNEs, including combinations of UNEs, to provide: "all the network capabilities and functions needed to offer residential and business customers a wide array of basic exchange services."<sup>3</sup> Thus, from the very outset of

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<sup>3</sup> AT&T Communications, Inc., Unbundled Loop Combination and Interconnection Planning  
(continued...)

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negotiations under the Act, AT&T made it unmistakably clear that it intended to enter the local market using UNEs, individually and in combinations, to serve business and residential customers.

15. On June 10, 1996, AT&T formally requested access and interconnection from BellSouth in South Carolina pursuant to the Act. This state-specific request followed months of earlier region-wide negotiations with BellSouth. This request to BellSouth for access and interconnection also was comprehensive, mirroring the region-wide negotiations already underway. It "include[d] all interconnection issues" contemplated by the Act: "prices and terms for interexchange access, the resale of services, and the network elements used for the origination and completion of local exchange and interexchange services traffic." See Letter of W.J. Carroll, AT&T, to D. Ackerman, BellSouth, at 1, June 10, 1996 (emphasis added) (Attachment 5).

16. Throughout the ensuing months of negotiations under the Act, AT&T devoted significant efforts to reaching an interconnection agreement with BellSouth. To that end, AT&T submitted to BellSouth its first proposed interconnection agreement on June 28, 1996. See Draft Interconnection Agreement between BellSouth and AT&T Corp., June 28, 1996. The

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<sup>3</sup> (...continued)

Document for Network Product and Services, Network Interconnection, Network Operations, Access, Account Maintenance and Billing, Security and Pricing and Compensation in the Local Exchange Service Marketplace, at 6 (March 28, 1996) (emphasis added) (excerpted at Attachment 4).

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proposed agreement included terms and conditions for resale of local services and UNEs. Id. at 21-42 (resale); id. at 43-50, Attachment 2 (UNEs).

17. In negotiations concerning the proposed interconnection agreement, AT&T continued to emphasize that it needed to be able to order various UNEs, as well as combinations of UNEs, including the combination of all twelve UNEs requested by AT&T. In a negotiating meeting of June 20, 1996, AT&T provided BellSouth with a chart of twelve different types of UNE combinations, and stressed that "AT&T needed the ability to order eight by November, 1996." See Meeting Minutes of June 20, 1996, at 5 & Att. 4 (excerpted at Attachment 6). Thus, just a few months into the negotiating process, AT&T had clearly stated its desire to use resale and UNEs, including UNE combinations, to enter the market, had submitted a detailed interconnection agreement containing provisions pertaining to UNEs, including proposed prices, and had requested that BellSouth be prepared to provision at least eight UNE combinations by November, 1996. As described in sections II and III below, BellSouth responded to AT&T's proposed terms with a long series of unreasonable policies with respect to both resale and UNEs - policies which directly conflict with the Act and the Commission's orders.

18. Because of BellSouth's adherence to policies contrary to the terms of the Act and this Commission's rules, AT&T was forced to arbitrate with BellSouth before the SCPSC. See Petition of AT&T Communications of the Southern States, Inc. For Arbitration of

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an Interconnection Agreement With BellSouth Telecommunications, Inc., SCPSC Docket No. 96-358-C, Order No. 97-189 (March 10, 1997) ("SCPSC Arbitration Order"). Following the issuance of the SCPSC Arbitration Order, AT&T entered into an interconnection agreement with BellSouth. See Agreement between BellSouth Telecommunications, Inc. and AT&T Communications of the Southern States, Inc., eff. date June 2, 1997. Although the Agreement should have been an important step in facilitating AT&T's entry into South Carolina, it contained unlawful provisions (many of which are discussed in sections II and III below) that BellSouth insisted upon, the SCPSC approved, and which to this day thwart AT&T's ability to enter into South Carolina local markets. AT&T has appealed to federal court the SCPSC Arbitration Order approving these unlawful provisions. Similarly, AT&T also has appealed to federal court another SCPSC order approving BellSouth's SGAT, which contains provisions substantially identical to those contained in the BellSouth/AT&T Agreement. Entry of BellSouth Telecommunications, Inc., into InterLATA Toll Market, SCPSC Docket No. 97-C-101-C, Order No. 97-640 (July 31, 1997) ("SCPSC SGAT Order").

19. While entry into South Carolina via UNEs and resale is effectively foreclosed, AT&T has undertaken to provide at least some local services over its own facilities to medium and large business customers in South Carolina. AT&T Digital Link is provided using existing AT&T 4ESS (toll) switches, connected to BellSouth's local network. Local calls are routed over dedicated facilities (e.g., T1.5 or T45) between the customer's PBX and AT&T's

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4ESS switch, and over AT&T's trunks between its 4ESS and a BellSouth tandem or end office. Thus, AT&T Digital Link allows a PBX customer to use its dedicated access facilities more efficiently for local, intraLATA toll, interLATA toll, and international service, reducing the number of lines needed from the local carrier. Although AT&T is currently providing its AT&T Digital Link service only for intraLATA toll calls in South Carolina, AT&T plans to file soon a tariff under which AT&T Digital Link will be available as a local offering.

**II. BELLSOUTH HAS PREVENTED AT&T FROM ENTERING THE LOCAL MARKET IN SOUTH CAROLINA THROUGH UNES AND, IN PARTICULAR, UNE COMBINATIONS.**

20. At present, it is not possible for AT&T to enter the South Carolina local market using UNES because BellSouth consistently has refused to make combinations available on the terms and conditions required by the Act. As described above, from the start of AT&T negotiations with BellSouth in the spring of 1996, AT&T made it clear to BellSouth that AT&T planned to combine the UNES it had requested to provide competitive local services. BellSouth consistently refused even to acknowledge its obligation to provide AT&T access to certain UNES and UNE combinations under the terms required by the Act, and BellSouth has clung to this position even after the Commission rejected BellSouth's position. While additional details of BellSouth's refusal to provide UNES and UNE combinations are provided in the affidavits of James Tamplin and Raymond Crafton, I would like to highlight several examples of BellSouth's

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conduct which shed revealing light on BellSouth claims concerning its efforts to facilitate local competition in compliance with the Act and the Commission rules.

21. One example relates to the unbundling of the local switch. In its Local Competition Order issued over a year ago, the Commission made clear that "vertical switching features are part of the unbundled local switching element." Local Competition Order, ¶ 413. Defining the local switching element "to encompass . . . the features, functions, and capabilities of the switch," the Commission also stated that these "features" and "functions" include "all vertical features that the switch is capable of providing, including custom calling, CLASS features, and Centrex, as well as any technically feasible customized routing features." Id., at ¶¶ 412-413. The Commission also explicitly rejected the argument made by BellSouth (and other BOCs) that vertical switching features should be classified exclusively as retail services. Id., at ¶ 413.

22. Despite the Commission's decision, when AT&T requested that BellSouth unbundle the local switch, BellSouth, under its purported "narrow interpretation" of the Act, asserted that switching features, such as vertical services, were not available as part of unbundled local switching. Later, in contravention of the Commission's explicit ruling, BellSouth argued that, even if available, such features were not to be offered at cost-based prices. As recently as August 4, 1997, even after the Eighth Circuit Court of Appeals had affirmed the Commission's ruling that vertical features were part of the features, functions, and capabilities inherent in the

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unbundled local switch, BellSouth filed an SGAT in South Carolina which, in clear violation of the Commission's rulings, provided that "switch functionalities that provide retail services, e.g., vertical features, are available at the retail service price less the applicable wholesale discount." BellSouth SGAT § VI.A. (August 4, 1997). The SCPSC approved this SGAT. See SCPSC SGAT Order. See also SCPSC Arbitration Order at 11 ("the Commission concludes that vertical features inherent in the unbundled local switching element are themselves retail services and, thus, should be priced at the retail tariffed rate less the appropriate discount and not priced as part of the switching component"). In making this ruling, the SCPSC effectively denied AT&T access to unbundled local switching as this Commission has defined it.

23. BellSouth's policies with respect to the availability of UNE combinations provide a second striking example of BellSouth's refusal to comply with the Act and the Commission's rules, as well as the SCPSC's refusal to enforce those rules. Specifically, BellSouth refuses to provide combinations of UNEs except at wholesale rates, rather than the efficient, forward-looking cost-based rates required by the Act. BellSouth continues to argue that combinations of UNEs must be priced at the wholesale rates applicable to resold services, despite the fact that this Commission unequivocally rejected this argument. Indeed, BellSouth's interconnection agreement with AT&T in South Carolina today still contains the following language:



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AT&T may purchase unbundled Network Elements for the purpose of combining Network Elements, whether those elements are its own or are purchased from BellSouth, in any manner that it chooses to provide service. If Network Elements are rebundled to produce an existing tariffed retail service, the appropriate price to be charged to AT&T by BellSouth is the wholesale price (discounted retail price).

BellSouth/AT&T Interconnection Agreement, General Terms and Conditions § 1A (effective June 2, 1997). Despite the fact that this provision clearly conflicts with the Commission's rules, the SCPSC, over AT&T's objections during the approval process for the interconnection agreement, approved § 1A of the Agreement as requested by BellSouth:

AT&T may recombine unbundled network elements in any manner it chooses. However, the rebundling of network elements to produce an existing retail service is a pricing issue and is under the jurisdiction of this Commission. If network elements are rebundled to produce an existing tariffed retail service, the appropriate price to be charged to AT&T by BellSouth is the wholesale price (discounted retail price). AT&T should be required to pay to BellSouth the applicable wholesale rate of the replicated service and not just the rates for the unbundled network elements that are purchased.

SCPSC Arbitration Order at 11.

24. Similarly, as recently as August 4, 1997, BellSouth's SGAT in South Carolina contained the following language:

BellSouth network elements may be combined in any manner to provide telecommunications services. If network elements are combined to produce an existing BellSouth tariffed retail service, the rate for those elements will be the wholesale price of the retail service. CLEC provisioning of purely ancillary functions or capabilities, such as operator services, Caller ID, Call Waiting, etc., in conjunction with combinations of BellSouth unbundled elements will not serve to distinguish a CLEC service from an existing BellSouth tariffed retail service.

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BellSouth SGAT, § II.G (August 4, 1997). Again, despite the clear illegality of this provision, the SCPSC approved BellSouth's SGAT in the SCPSC SGAT Order. Although BellSouth deleted this SGAT provision just prior to filing its Section 271 application with the Commission, it has indicated that its position on the availability of UNE combinations at cost-based rates remains unchanged. In defiance of the Commission's rules, BellSouth continues to assert that "when AT&T orders a combination of network elements or orders individual network elements that, when combined, duplicate a retail service provided by BellSouth, BellSouth will treat, for purposes of billing and provisioning, that order as one for resale." Letter from Mark Feidler, President-Interconnection Services, BellSouth Telecommunications, Inc., to W. J. Carroll (September 12, 1997) ("Feidler Letter") (Attachment 7). This latter position is contrary to the Eighth Circuit's holding that CLECs may provide "finished services" exclusively through the use of UNEs obtained pursuant to Sections 251(c)(3) and 252(d)(1).

25. BellSouth's policy against providing combinations of UNEs has so blocked AT&T's market entry in South Carolina and other states that I personally and others at AT&T have attempted repeatedly to get BellSouth executives to change this policy or at a minimum put it aside so that we could move forward with implementation details. I had numerous discussions with these executives last year during interconnection agreement negotiations and continue to do so. Most recently, by letters dated August 1, 1997 and August 29, 1997, I contacted F. Duane Ackerman, President and Chief Executive Officer of BellSouth Corporation, seeking his

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assistance to resolve the issues of the availability and testing of UNE combinations. See Letters of W.J. Carroll, AT&T, to D. Ackerman, BellSouth (Aug. 1 & Aug. 29, 1997) (Attachment 8). As of this writing, BellSouth has not taken steps to resolve these issues or indicated that any resolution would be forthcoming anytime soon.

26. BellSouth's policy position on UNE combinations continues to prevent the parties from defining the means for ordering and provisioning such combinations and obtaining the necessary usage information so that AT&T can bill its customers, BellSouth and other CLECs. In his OSS affidavit, BellSouth's witness William Stacey admitted that substantial developmental work on BellSouth's OSS's would be required to permit CLECs to receive UNE combinations priced at cost-based rates and that "[s]ince BellSouth is pursuing its legal disagreement with the FCC position on providing UNE combinations as a matter of law, we therefore have not yet undertaken such development." BellSouth Stacey Aff. ¶ 60. BellSouth's unrelenting refusal to develop electronic interfaces for UNE combinations (much less fully test such interfaces and make them operationally ready) further blocks AT&T's entry into South Carolina local markets.

27. Finally, AT&T's entry via UNEs is being blocked and made uncertain for another reason: BellSouth has refused to price any UNE, much less combinations of UNEs, using the correct efficient, forward-looking methodology, and the SCPSC has yet to hold proceedings

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to determine permanent rates for UNEs or combinations of UNEs. Despite AT&T's protest, the current interim rates were adopted from negotiated rates between BellSouth and ACSI. As described in greater detail in the affidavit of Don Wood, those rates are simply set too high to permit any meaningful competition to develop, and in particular would entirely preclude UNE-based competition in the South Carolina residential market.

28. BellSouth's efforts also have forced its competitors to participate in lengthy and costly legal proceedings merely to secure the performance of duties to which they are entitled under the Act. AT&T's entry plans in South Carolina have been postponed substantially, and remain uncertain at this time, because it is completely unclear whether and when BellSouth will decide (and develop the ability) to comply or be required to comply with its legal obligations. I still do not know whether and when BellSouth will consent to provide AT&T with UNEs at cost-based rates, much less whether or when BellSouth will be able to provide its OSS on a non-discriminatory basis, and in commercially significant volumes. This uncertainty severely impedes AT&T's ability to plan and execute strategies for entry into local markets in South Carolina.

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**III. BELL SOUTH HAS ALSO FRUSTRATED THE DEVELOPMENT OF RESALE COMPETITION IN SOUTH CAROLINA.**

29. BellSouth also has acted to block resale as an entry vehicle at every turn as well. Although, since the passage of the Act, BellSouth has acknowledged its obligation to permit CLECs to resell its services, BellSouth's actions demonstrate that it is intent on delaying and impeding any entry by a large scale reseller such as AT&T. In early 1996, Charles Coe, BellSouth's Group President - Customer Operations, told me that BellSouth was in the "retail business" and was "not interested in developing a wholesale business." BellSouth's actions have confirmed Mr. Coe's statements. Indeed, BellSouth has taken a series of actions, which have effectively prevented AT&T from offering even resold services in South Carolina.

30. To begin with, the financial viability of entry by resale turns at least in part on the wholesale discount a BOC offers off of its retail prices. The affidavit of Patricia McFarland describes in detail how, in flat contravention of the Act and the Commission's rules, BellSouth and the SCPSC have calculated BellSouth's wholesale discount by reference to the costs which BellSouth will actually avoid, rather than the costs that reasonably should be avoided, by providing wholesale as opposed to retail services. By application of its flawed approach, BellSouth is offering a wholesale discount for South Carolina of only 14.8%. This discount figure is among the smallest offered by any BOC for any state in the country -- a fact literally applauded by the SCPSC. See Affidavit of Kenneth McNeely. Even within the nine-state

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BellSouth service region, the 14.8% discount offered in South Carolina is by far the smallest discount:

<b><u>STATE</u></b>	<b><u>DISCOUNT - RESIDENTIAL</u></b>	<b><u>DISCOUNT- BUSINESS</u></b>
Alabama	17.00%	17.00%
Florida	21.83%	16.81%
Georgia	20.30%	17.30%
Kentucky	16.79%	15.54%
Louisiana	20.72%	20.72%
Mississippi	15.75%	15.75%
North Carolina	21.50%	17.60%
<b>South Carolina</b>	<b>14.80%</b>	<b>14.80%</b>
Tennessee	21.56%	21.56%

31. Second, again as discussed in detail in Ms. McFarland's affidavit, BellSouth has placed competitively significant restrictions on its resale offerings. For example, BellSouth refuses to offer at wholesale rates for resale the individual contract service arrangements ("CSAs") that it is increasingly using to lock up large customers from competitive threat. See BellSouth SGAT § XIV.B ("these discounts do not apply to . . . Contract Service Arrangements"). BellSouth has excluded these arrangements despite the Commission's ruling that the Act's resale requirements make "no exception for promotional or discounted offerings, including contract and other customer-specific offerings." Local Competition Order ¶ 948. The SCPSC uncritically approved BellSouth's SGAT provision, even though it clearly conflicts with the requirements of the Act and this Commission's orders. See SCPSC SGAT Order. See also SCPSC Arbitration Order, at 4-5 (approving restrictions on resale of CSAs).

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32. Indeed, BellSouth also refuses to permit CSAs to be resold, at any price, to customers other than the one for whom the CSA was originally developed -- including end users (or collections of end users) who could satisfy the terms and conditions of a particular CSA. BellSouth itself operates under no such restriction. That is, if BellSouth wishes to offer the same terms and conditions contained in a CSA to another end user today, it is free to do so and has done so with greatly increasing frequency in 1997. BellSouth's refusal to permit others to resell service offered under a CSA to any customer other than BellSouth's existing customer is clearly a "discriminatory" condition on the resale of BellSouth's services.

33. Third, BellSouth has not developed sufficiently reliable electronic access to its OSS to permit AT&T to ramp up the scale of its entry through resale to competitively significant levels. Once again, BellSouth's pattern of resistance was initially reflected in a narrow and erroneous interpretation of its obligations under the Act. As recently as May 1996, BellSouth contended that a "PC to PC fax interface initially proposed meets the letter and spirit of the Telecommunications Act of 1996 as to interface requirements . . . " Letter from W. Scott Schaefer, Bell South Vice President - Marketing, to William J. Carroll (May 16, 1996) (Attachment 9). For almost all of 1996, based on its erroneous belief that it was not obligated under the Act to provide electronic interfaces, BellSouth further delayed development of such interfaces until negotiations could be undertaken related to BellSouth's cost recovery for "discretionary work" done in connection with the development of electronic OSS interfaces. Id.

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34. As a result, despite the fact that AT&T began negotiating electronic interfaces with BellSouth over two years ago, BellSouth has consistently refused to develop the electronic OSS interfaces requested by AT&T and now mandated by the Commission. The current interfaces offered by BellSouth combine manual processes with a melange of interim electronic interfaces that vary greatly depending upon what function (e.g., ordering, repair) they serve providing discriminatory access to BellSouth OSS. The details of the problems associated with BellSouth's OSS interfaces are provided in Mr. Bradbury's affidavit. From my perspective, three key points exist with regard to OSS. First, most of BellSouth's interfaces require more human intervention to perform OSS functions than is required when BellSouth uses its OSS to perform the same functions. Second, even BellSouth's most advanced electronic interface permits AT&T and other CLECs to order only a limited number of BellSouth services. BellSouth's marketing representatives can access automated systems for all of BellSouth's services, so there is no parity between BellSouth and its competitors. Finally, none of the interfaces has been put



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through the type of testing that is required before further market entry can begin.<sup>4</sup> As a result, AT&T remains hamstrung in its ability to compete even by resale.

35. Although BellSouth seeks to trivialize them, these OSS difficulties have posed and continue to pose a substantial constraint on AT&T's ability to compete in the market even through resale on any significant scale. Moreover, nearly all improvements in OSS access that have been made thus far have occurred in response to prodding by regulators in the course of Section 271 proceedings in response to problems identified by BellSouth's competitors. If BellSouth is granted Section 271 approval before its OSS have been fully tested, and are reliably and permanently operational and capable of providing parity in service, BellSouth will have little or no incentive to achieve -- and therefore will never achieve -- those crucial objectives. Having worked with BellSouth on interconnection issues almost every day for the last year and a half, I

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<sup>4</sup> Indeed, one specific example points out the difficulties that can arise if such testing is not completed. BellSouth had agreed earlier this year to make available its regional street address guide ("RSAG") system. BellSouth uses the RSAG system to obtain access to street address information. BellSouth requires a character-for character match to process orders which, in turn, means that AT&T must have access to the information contained in the RSAG system. When AT&T started utilizing the RSAG system in August 1997 as part of its marketing efforts in Georgia, AT&T experienced significant problems with the availability of the system day after day. Sometimes the RSAG system was not available at all; other times no more than twenty AT&T representatives could access the system simultaneously, despite BellSouth's prior claim that the interim RSAG interface could support 200 simultaneous users. As a result, AT&T scaled back its marketing efforts in Georgia until these problems could be resolved.